Approved for Release: 2018/10/01 C06626852

CONTROL: 3260
3 MAY 77 1745

Graiver

INDICATE
☐ COLLECT
☐ CHARGE TO

DEPARTMENT OF STATE
TELEGRAM

FROM	CLASSIFICATION
AMEMBASSY BUENOS AIRES	CONFIDENTIAL

E.O. 11652: GDS
TAGS: SHUM PINS AR
SUBJECT: Minister of Economy Jose Martinez de Hoz comments on the Graiver case

ACTION:

SECSTATE WASHDC

CONFIDENTIAL BUENOS AIRES 3260

REF: Buenos Aires 3052

AMB
DCM
POL3
POL/R
ECOM
USIS
RF
CHRON

1. SUMMARY. This cable reports the Ambassador's lengthy and important conversation with the Economy Minister on the Graiver investigation. Martinez de Hoz labelled the Graiver affair as an attempt by high ranking military officers, whom he did not wish to identify, to discredit and eventually oust President Videla from the government. However, Martinez de Hoz thought that Videla had regained control over the situation and would be able to ease the conspirators out of their present posts by the end of the year. Many if not most of the people publicly accused of having links to the Graivers are not guilty of anything more than illegal foreign exchange transactions--which is a rather common offense. Martinez de Hoz also doubted that the police had discovered the alleged financial transactions between the Graivers and the Montoneros in the manner they have

DRAFTED BY	DRAFTING DATE	TEL EXT	CONTENTS AND CLASSIFICATION APPROVED BY
LEGAT:RScherrer:jr	5/3/77	121	DCM:MChaplin

CLEARANCES
POL:AGFreeman
AMB:RCHill

CONFIDENTIAL
CLASSIFICATION

50163-101

OPTIONAL FORM 163
(Formerly FS-413)
January 1975
Dept of State

Approved for Release: 2018/10/01 C06626852

Approved for Release: 2018/10/01 C06626852

claimed, i.e. through a slip by Juan Graiver when he allegedly mistook a group of police officers for Montoneros. On the brief arrest of Herald editor Cox, this action had been carried out on the orders of Interior Minister Harguindeguy who decided that the government could not allow Cox's violation of the press law to go unpunished. With regard to the missing Edgardo Sajon, Martinez de Hoz assured the Ambassador that no government agency was responsible for his disappearance. He did not rule out the possibility of legal action against ex-President Lanusse for his alleged illegal activities. END SUMMARY.

2. Accompanied by Legatt Scherrer, the Ambassador paid farewell call upon Economy Minister Martinez de Hoz April 26. The Ambassador thanked the Minister for his friendship, understanding and assistance in matters of mutual interest to the USG and GOA. The Minister told the Ambassador that he personally, and the GOA, appreciated the Ambassador's efforts to improve US-Argentine relations.

3. The Ambassador then showed the Minister a mimeographed handout in the Spanish language captioned, "Informe Sobre el Caso Graiver" which had come into the possession of the Embassy. The Ambassador noted that this handout contained a volume of data on the Graiver case, which by inference connects various Peronist politicians and businessmen, incumbent and former military leaders, the hierarchy of the Roman

OPTIONAL FORM 163A
(Formerly FS-413A)
January 1975
Dept of State

50163-201

Approved for Release: 2018/10/01 C06626852

Approved for Release: 2018/10/01 C06626852

Catholic Church in Argentina, and incumbent GOA officials, including the Minister and Ricardo Yofre, the Sub-Secretary General of the Presidency, with illegal financial transactions linked to Graiver. The Ambassador expressed his concern with regard to the accuracy of information contained in the pamphlet and the possible repercussions that it might have on the GOA and the Minister personally. The Minister asked whether the handout presented to him by the Ambassador was "the infamous report on Graiver" put out by the State Intelligence Secretariat for [redacted] (SIDE). Legatt informed the Minister that there was no apparent connection to SIDE but that several sources had reported that the handout in question might have been prepared and distributed by the Argentine Army First Corps in Palermo.

4. After scanning the handout, the Minister stated that it was part of a plot or conspiracy led by "an active-duty Argentine Army General and a retired Argentine Army General" for the purpose of discrediting President Videla, as well as other members of the GOA, with the eventual goal of ousting President Videla. (NOTE: Martinez de Hoz made no attempt to identify the two officers further, but we believe he was referring to General Carlos Guillermo Suarez Mason, the incumbent Commander of the Army First Corps, and retired General Iberico Saint Jean, the Governor of Buenos Aires Province.) The Minister indicated that

OPTIONAL FORM 163A
(Formerly FS-413A)
January 1975
Dept of State

50163-201

Approved for Release: 2018/10/01 C06626852

Approved for Release: 2018/10/01 C06626852

the President, upon learning of the plans of the aforementioned two Army generals, promptly took action to take personal control of the situation in order to insure that a fair, impartial, yet thorough investigation of the Graiver matter would be conducted. The Minister indicated that President Videla now had complete control of the situation and that Army G-4 General Gallino, whom he described as a reasonable, intelligent Army officer, would control the investigation and prevent sensational-type innuendos and inferences from appearing in the future.

5. The Minister noted that the two generals who conceived the aforementioned conspiracy believed that they had more support than they really did. In addition to miscalculating their support, the Minister noted that the plotters made two other serious mistakes in launching their campaign against President Videla and other members of the GOA; namely, President Videla has an untarnished reputation for honesty and integrity in the Argentine military establishment. Also, the accusations by inference connecting other GOA officials with the Graiver scandal were patently absurd and easily recognized by the majority of ranking Argentine military leaders as such. The Minister indicated that President Videla did not desire to create a scandal by relieving the two generals of their current positions and that the President would wait until the end of the

OPTIONAL FORM 153A
(Formerly FS-413A)
January 1975
Dept of State

50153-201

Approved for Release: 2018/10/01 C06626852

Approved for Release: 2018/10/01 C06626852

year to quietly ease these two generals out of their present posts.

6. The Minister indicated that he understood from Army sources that the Buenos Aires Provincial Police (BAPP) had instituted an investigation into Graiver's financial activities quite some time ago. According to the Minister's information, officers of the BAPP approached Juan Graiver in order to interview him concerning his son's financial activities. The Minister said that Juan Graiver mistook the BAPP officers for Montoneros and indicated that he would make good the money entrusted to David Graiver by them. The Minister reported that subsequently Juan Graiver proceeded to make a complete confession of Montonero involvement in the Graiver financial empire. The Minister noted that it was incredible and extremely difficult for him to believe that someone as astute, cautious and experienced as Juan Graiver would make such an obvious blunder by blurting out and asking unidentified individuals who approached him whether they were Montoneros.

7. The Minister indicated that apparently the BAPP had identified a foreign exchange dealer named Francisco ("Paco") Fernandez, the former Chief of Foreign Exchange at the Banco de Galicia, as having handled illegal financial transactions for the Graivers. The Minister noted that through Francisco Fernandez the BAPP was able to connect

OPTIONAL FORM 163A
(Formerly FS-413A)
January 1975
Dept of State

50163-201

Approved for Release: 2018/10/01 C06626852

Approved for Release: 2018/10/01 C06626852

other well-known money changers, Ernesto Estrada and Dante Marra. The Minister noted that many, if not the majority of persons whose connections have been publicly linked with the Graivers, had simply conducted illegal financial transactions through the aforementioned exchange dealers. The Minister offered the example of Monsignor Adolfo Tortolo, the Vicar General of the Argentine Armed Forces, whose name had been publicly connected with the Graiver affair. In the case of Monsignor Tortolo, the Minister stated that the only evidence against him was that apparently he had cashed $300 (US) through one of the above-named currency dealers and a record of this transaction had been discovered.

8. The Minister then made a lengthy comment on the information linking him with the Graiver scandal. The Minister noted that Dr. Martinez Segovia, a member of the Board of Directors of Papel Prensa, was actually a member of the Minister's law firm. Martinez Segovia, through his Papel Prensa connections, was linked to former President Lanusse's Press Secretary, Edgardo Sajon, who was connected with "La Opinion." It was further alleged that Martinez Segovia, through his connections with the Minister, had obtained a questionable credit for Papel Prensa through the Banco Nacional de Desarrollo. The Minister noted that Papel Prensa had on its Board of Directors at all times since

OPTIONAL FORM 163A
(Formerly FS-413A)
January 1976
Dept of State

50163-201

Approved for Release: 2018/10/01 C06626852

Approved for Release: 2018/10/01 C06626852

its founding, at least three members of the GOA, in that GOA funds were originally invested in the founding of Papel Prensa. The Minister [redacted] also said that Martinez Segovia had never been arrested but had merely been interrogated to ascertain any knowledge he had concerning Sajon.

9. The Minister claimed that literally hundreds of individuals from all walks of life and different political persuasion had apparently utilized the services of the above-mentioned currency changers to conduct illegal currency transactions; i.e. black market exchanges during the past several years. The Minister jokingly commented that at least 70% of all persons in Buenos Aires having foreign currency dealt through the above-named exchange dealers. The Minister pointed out that the conspirators desiring to discredit the President and other individuals, such as former President Lanusse, were drawing connections between individuals who could be linked with past or present governments to illegal financial transactions with exchange dealers who allegedly linked the Graiver family to the Montoneros.

10. The Ambassador noted that he hoped that at the appropriate time in the future the GOA would issue a complete factual report of its findings in the Graiver case clearly separating the purely illegal financial activities from the alleged subversive ramifications. The Minister

OPTIONAL FORM 163A
(Formerly FS-413A)
January 1975
Dept of State

50163-201

Approved for Release: 2018/10/01 C06626852

Approved for Release: 2018/10/01 C06626852

replied that he, too, hoped such a report would be issued by the GOA, but noted he believed that the issuance of such a report would not be in the immediate future.

11. The Ambassador showed Martinez de Hoz copies of letters which the Ambassador had signed in 1975 informing the banking superintendent of the State of N.Y. that the Embassy had uncovered no derogatory information concerning the integrity of Mr. Graiver or of his financial institutions. The Ambassador offered to make copies of these letters available for the Minister's files, but Martinez de Hoz showed little interest in the letters and declined the opportunity.

12. The Ambassador also asked about the arrest of Herald Editor Robert Cox and its serious consequences. The Minister stated he thought that Cox's detention by the Federal Police of Argentina (FPA) was extremely ill-advised and unfortunate. The Minister noted that President Videla, Foreign Minister Guzzetti and he were all in Paraguay when Interior Minister Harguindeguy authorized Cox's detention. The Minister advised that upon his return to Buenos Aires he immediately contacted General Harguindeguy to inquire as to the details of Cox's arrest. Gen. Harguindeguy told the Minister that Cox had clearly violated Argentine law and that if the GOA did not proceed against Cox then every newspaper and magazine editor in Argentina would be free to violate the law. The Minister stated he thought that

OPTIONAL FORM 153A
(Formerly FS-413A)
January 1975
Dept of State

50153-201

Approved for Release: 2018/10/01 C06626852

Approved for Release: 2018/10/01 C06626852

some other milder form of action might have been taken against Cox to avoid the sensational publicity which was afforded his arrest. The Minister noted that Gen. Harguindeguy assured him that the Ministry of the Interior had "no axe to grind" with Cox and that he, Harguindeguy, had informed the judge handling Cox's case that it would be in the best interests of all if Cox would be released on his personal recognizance as soon as possible.

13. The Minister then raised the case of Edgardo Sajon and affirmed to the Ambassador that he had "personally verified" that Sajon had not been taken into custody by any entity of the GOA. The Minister offered the possibility that Sajon had carried out a "self-kidnapping" or that possibly he had been kidnapped by the Montoneros and killed. The Minister stated he could offer no solid explanation for Sajon's disappearance.

14. In connection with the Sajon case, the Ambassador asked the Minister whether in his opinion some form of legal action would be taken against former President Lanusse, based on widespread allegations appearing in the Buenos Aires press and from rumors freely circulated in Buenos Aires connecting the former President with illegal activities. The Minister answered by stating that former President Lanusse had made many enemies in Argentina and that some type of legal action against him in the future might well be possible.

OPTIONAL FORM 153A
(Formerly FS-413A)
January 1975
Dept of State

50163-201

Approved for Release: 2018/10/01 C06626852

Approved for Release: 2018/10/01 C06626852

15. The Minister closed the meeting by wishing the Ambassador well upon his return to the US and indicated he hoped that the excellent working relationship established by the Ambassador with all sectors of the GOA would continue after his departure-

16. Martinez de Hoz' comments are the first admission we have had from a reliable government source that President Videla views the Graiver case as having been intended by those behind the investigation and the attendant publicity campaign as a means toward toppling Videla from power. We had suspected all along that that was the objective of General Suarez Mason, Governor St. Jean and other high-ranking Army officers, but we have been surprised that the usual rumor mills have not played up this theme to any great degree. Martinez de Hoz' comments also tend to substantiate the flimsiness of the information on which the disgraceful rumor-mongering deliberately has been based. unleashed in this case/ Where we are uncertain is the degree of control which Videla is alleged to have regained in this matter.

HILL

OPTIONAL FORM 163A
(Formerly FS-413A)
January 1975
Dept of State

50163-201

Approved for Release: 2018/10/01 C06626852